FDIC **State Profile**

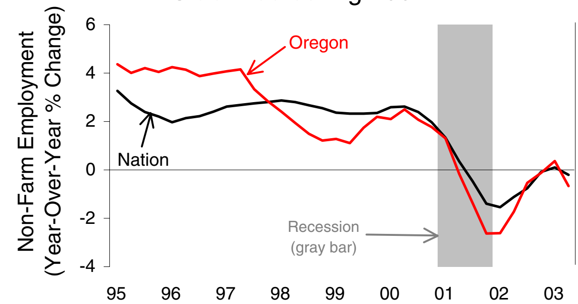
FALL 2003

Oregon

Nonfarm employment in Oregon decreased 0.9 percent in the year ending June 2003, undermined by weakness in the government and high-tech sectors.

- As of June 2003, the government, manufacturing, and trade, transportation, and utilities sectors had all experienced year-over-year employment losses.
- The government sector produced the most significant employment losses in Oregon, decreasing by 2.4 percent year-over-year as of June 2003, a loss of 6,800 jobs. State and local government jobs accounted for most of these losses. During the fiscal year ending June 30, 2002, state tax collections decreased by almost 13 percent, resulting from the impact of employment losses on the state's personal income tax collections.
- The manufacturing sector experienced the second largest employment loss in Oregon, decreasing by 2.9 percent year-over-year as of June 2003, and losing 5,900 jobs. Within manufacturing, the computers and electronic products subsector experienced the largest employment decrease, losing 2,700 jobs.
- Employment in the trade, transportation, and utilities sector decreased by 1.3 percent year-over-year as of June 2003, losing 4,200 jobs. Employment losses were concentrated within the wholesale sub-sector; in retail (clothes, gasoline, and motor vehicles); and in air transportation and warehousing.
- Although employment losses slowed in 2002 (see Chart 1), Oregon reported the highest unemployment rate in the nation at 8.5 percent in June 2003.

Chart 1: Nonfarm Employment in Oregon Stabilized during 2002

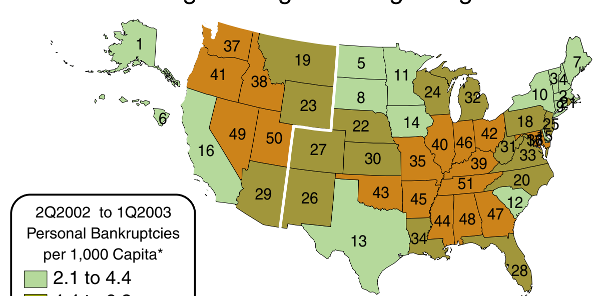


Source: Bureau of Labor Statistics

Weak employment pressured personal bankruptcy and foreclosure rates in Oregon.

- The personal bankruptcy rate in Oregon was higher than in 40 other states in the nation during the year ended first quarter 2003 (see Map 1) and had increased 5 percent when compared to the previous year.
- According to a PMI Mortgage Insurance Co. report, the ***Portland*** MSA ranked fourth out of 50 cities for having a "high risk" of a housing price decline, which could adversely affect foreclosure rates.

Map 1: Oregon's Personal Bankruptcy Rate Remained High through the Beginning of 2003*



*Note: Population estimates for 2001 were used.
Source: U.S. Courts, and Bureau of Economic Analysis

- Reflecting the relatively high personal bankruptcy rates, consumer loan quality deteriorated somewhat during the 12 months ending March 2003. Established community institutions headquartered in Oregon reported a median annualized net consumer loan charge-off ratio increase from 0.00 to 0.66 percent from the first quarter of 2003 to the first quarter of 2003.[1,2]

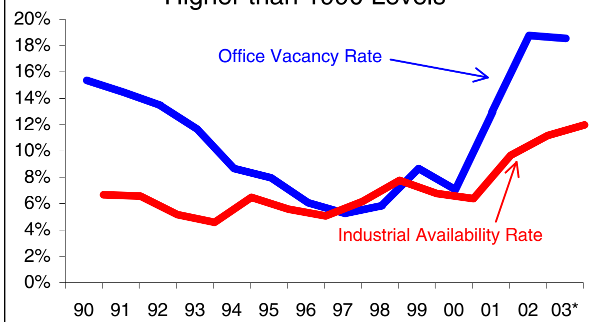
[1] Consumer loans include credit cards, automobile loans, and other loans to individuals not secured by real estate.

[2] Established community institutions include insured institutions in operation more than three years, with less than $1 billion in total assets, and exclude specialty institutions.

Declining demand for commercial real estate (CRE), and high CRE loan concentrations, could challenge credit quality among many Oregon-based insured institutions.

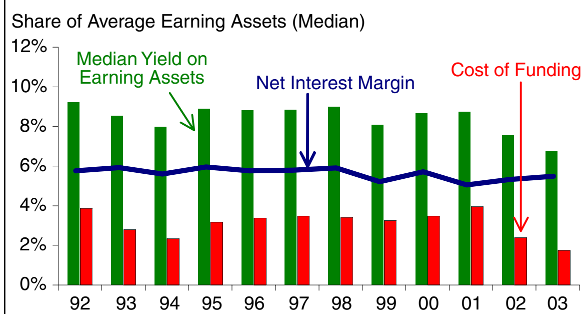
- According to Torto Wheaton Research (TWR), the office vacancy rate in the Portland MSA was 18.6 percent as of second quarter 2003 (see Chart 2). Office market conditions deteriorated to the greatest extent in the ***Beaverton, Clackamas, Eastside,*** and ***Hillsboro*** sub-markets, where office vacancies reportedly exceeded 25 percent. TWR also reported an increase in the industrial availability rate to 10.8 percent as of second quarter 2003. An above-average availability rate was reported in the Southwest sub-market.
- Deteriorating market conditions may have contributed to a year-over-year increase in CRE loan delinquencies among established community institutions headquartered in the Portland MSA.[3] The median past-due CRE loan ratio reported by these institutions rose from 0.61 to 0.63 percent. Given the median CRE loan-to-Tier 1 capital ratio of 406 percent as of March 2003, delinquency trends are a concern.
- In all, nearly two-thirds of insured institutions headquartered in the state held CRE loan exposures exceeding 300 percent of Tier 1 capital. Nationwide, only one-quarter of insured institutions reported similarly high concentrations. Exposures to construction and development (C&D) loans, one of the traditionally higher-risk segments of CRE lending, contributed to the trend. Institutions based in Oregon reported a first quarter 2003 median C&D loan-to-Tier 1 capital ratio of 84 percent, more than four times the level reported by banks and thrifts nationwide.

Chart 2: Vacancy Rates in Portland Remain Higher than 1990 Levels



Source: Torto Wheaton Research (*year-to-date through second quarter 2003)

Chart 3: Funding Costs Sank during 2002 among Oregon-Based Insured Institutions



Source: Oregon Bank and Thrift Call Reports (March of each year)

Significant declines in funding costs contributed to an improvement in insured institution earnings.

- Oregon-based insured institutions reported a median return on average assets ratio (ROA) of 1.32 percent as of March 2003, up from 1.17 percent one year earlier, and significantly above the 1.05 percent median ROA reported by all insured institutions in the nation.
- Although declining interest rates initially undermined net interest margins in 2001 as liabilities were slow to re-price, funding costs declined dramatically during 2002 contributing to improved margins (see Chart 3). The median interest expense to average earning assets ratio declined to 1.75 percent as of March 31, 2003, its lowest level in 10 years, and a substantial decline from the 2.40 percent one year earlier. An increase in median non-interest income also favorably influenced profitability.

Drought conditions remain a risk and dairy prices are under pressure.

- Drought adversely affected pastureland conditions in West Oregon during 2002. In addition, low milk prices may challenge the dairy sector, which generated 8.5 percent of 2001 farm receipts in the state.
- As of March 31, 2003, 6 of Oregon's 33 commercial banks reported agricultural loan-to-Tier 1 capital ratios exceeding 100 percent. Past-due agricultural loan ratios have risen among these 6 insured lenders, as the group's median overall delinquency ratio increased from 1.25 percent to 2.32 percent between first quarter 2002 and first quarter 2003.

[3] CRE loans include mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.

Oregon at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	37	37	47	50	49
Total Assets (in thousands)	21,169,643	20,847,077	19,354,408	17,316,684	37,584,484
New Institutions (# < 3 years)	4	4	9	9	7
New Institutions (# < 9 years)	12	11	16	15	13

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	9.80	9.45	9.41	9.82	9.68

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	1.01%	0.93%	1.03%	1.11%	1.20%
Past-Due and Nonaccrual >= 5%	1	5	3	4	7
ALLL/Total Loans (median %)	1.20%	1.24%	1.15%	1.12%	1.14%
ALLL/Noncurrent Loans (median multiple)	2.38	2.69	2.39	2.58	1.95
Net Loan Losses/Loans (aggregate)	0.11%	0.31%	0.11%	0.13%	0.21%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	2	2	4	5	5
Percent Unprofitable	5.41%	5.41%	8.51%	10.00%	10.20%
Return on Assets (median %)	1.32	1.17	1.12	1.05	1.22
25th Percentile	0.77	0.89	0.89	0.62	0.61
Net Interest Margin (median %)	5.12%	4.95%	4.68%	5.33%	4.83%
Yield on Earning Assets (median)	6.76%	7.54%	8.74%	8.67%	8.08%
Cost of Funding Earning Assets (median)	1.75%	2.40%	3.96%	3.47%	3.24%
Provisions to Avg. Assets (median)	0.22%	0.19%	0.19%	0.20%	0.15%
Noninterest Income to Avg. Assets (median)	1.03%	0.87%	0.74%	0.76%	0.88%
Overhead to Avg. Assets (median)	3.44%	3.36%	3.48%	3.76%	3.67%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	85.04%	89.29%	81.76%	83.11%	75.05%
Loans to Assets (median %)	71.17%	72.84%	69.80%	68.53%	61.62%
Brokered Deposits (# of institutions)	10	9	9	7	8
Bro. Deps./Assets (median for above inst.)	3.95%	4.75%	2.14%	0.94%	1.82%
Noncore Funding to Assets (median)	15.73%	17.10%	16.86%	14.49%	12.25%
Core Funding to Assets (median)	70.76%	70.65%	71.29%	74.60%	75.10%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	27	26	29	31	28
National	3	3	4	5	4
State Member	3	3	9	9	10
S&L	3	3	3	3	3
Savings Bank	1	2	2	2	4
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets ($000s)	% Inst.	% Assets
No MSA	14	6,987,253	37.84%	33.01%
Portland-Vancouver OR-WA PMSA	11	11,621,708	29.73%	54.90%
Salem OR PMSA	5	476,095	13.51%	2.25%
Eugene-Springfield OR	4	1,199,767	10.81%	5.67%
Medford-Ashland OR	2	577,813	5.41%	2.73%
Corvalis OR	1	307,007	2.70%	1.45%